SEE FOLLOWING NOTE

PLEASE NOTE THAT PAGINATION APPEARS IRREGULAR, BUT THE TEXT IS COMPLETE.

VOIR NOTE CI-APRÈS

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LIVESTOCK FINANCIAL PROTECTION BOARD

2008/09 Fiscal Year Annual Report

TO THE HONOURABLE CAROL MITCHELL, MINISTER OF AGRICULTURE, FOOD AND RURAL AFFAIRS

MINISTER:
On behalf of the Board of Directors, I am pleased to present to you the Annual Report of the Livestock Financial Protection Board for the year ending March 31, 2009.

Respectfully submitted,

Bob Brander

Bob Brander
Chair, Livestock Financial Protection Board

1. Preface

The Livestock Financial Protection Board (LFPB) is classified as a Trust Agency by the Management Board of Cabinet and is established under the authority of section 3 of O. Reg. 560/93 – Fund for Livestock Producers, made under the *Farm Products Payment Act (FPPA)*.

As an agency of the Ministry of Agriculture, the LFPB annual report is subject to the minimum reporting requirements established in the Agency Establishment and Accountability Directive (AEAD), including:

- description of activities over the year;
- analysis of operational performance;
- analysis of financial performance;
- discussion of performance measures, targets achieved/not achieved and action to be taken;
- names of appointees, including date when first appointed and when the current term of appointment expires; and
- financial statements that have been audited or subject to the appropriate level of external assurance.

This report covers the fiscal year April 1, 2008 to March 31, 2009.

2. Description of activities over the year

The Board activities on an annual basis are geared towards fulfilling its mandate, which is outlined in section 4(1) of the FPPA as follows:

i. to administer its Funds;
ii. to investigate all claims made to it under the Act and to determine the extent of their validity;
iii. to grant or refuse the payment of all claims or any part thereof and determine the amounts and manner of payment; and
iv. to recover any money to which it is entitled under the Act by suit in a court of competent jurisdiction or otherwise.

There were two Board meetings in the 2008/09 fiscal year. One meeting dealt with operational matters -- this included the swearing in of two new Board members and an overview of the adjudication process and conflict of interest policy. The business plan and the audited financial statement were also approved. The second dealt with a claim against the fund. The case was still pending a final decision on March 31, 2009.

3. Board Appointments

Section 4(1) of O. Reg. 560/93 requires that the Board shall be composed of at least five members consisting of one member each from Ontario Cattlemen's Association (OCA), Canadian Meat Council (CMC), and the Ontario Livestock Auction Markets Association (OLAMA). The members of the Board are appointed by the Minister under Part 111 of the Public Service of Ontario Act (PSOA). The regulation also requires the Minister to appoint a Chair and a Vice Chair from among its members.

For the 2008/09 fiscal year there were six Board members and a Chair. The table below shows the names of appointees and term of appointments.

Name	Organization	Date Appointed	Expiry Date
Mr. Robert Brander – Chair	Ontario Cattlemen's Association	March 16, 1992	March 16, 2011
Ms. Mary Vacca	Ontario Independent Meat Packers	October 10, 2006	October 10, 2009
Mr. Larry Witzel	Ontario Livestock Auction Markets Association	April 17, 2007	April 17, 2010
Mr. Paul Sharpe	Ontario Cattlemen's Association	November 30, 2007	November 30, 2010
Mr. Raymond Theoret	Ontario Livestock Dealers Association	November 30, 2007	November 30, 2010
Vacant	Canadian Meat Council		
Mr. Murray Allen	Dairy Industry	September 5,2008	September 5,2011
Ms Jennifer Haley	Veal Industry	October 6,2008	October 6, 2011

The Board operates at arms length from the Government but is accountable to the Government in exercising its mandate.

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Fund for Livestock Producers

Financial Statements
For the Year Ended March 31, 2009

			provided the Board with legal, administrative, adjudication and investigative support.

– *Lobby government to enact regulatory changes*

The Board administrator (on behalf of the Board) has worked with OMAFRA and industry on proposed regulatory changes that would improve coverage for producers and update the program to reflect the current industry situation.

– *Board succession planning*

All but one vacant position was filled in the 2008/09 fiscal year. The Board was without a Vice Chair on March 31, 2009 but work was begun following the year-end to fill this position.

Staggering of appointments has not occurred but the Board will continue to work with the ministry to make these changes as terms expire. The Board requested that the Chair of the Board be allowed to serve an additional two year term. This request was approved by the Minister. Experienced Board members increase the Boards ability to issue decisions in a timely, fair and legally supportable manner.

– *Clarify the government position with regard to Devolution*

No formal action was taken by the Board with regard to this issue in the 2008/09 fiscal year however the issue was kept in front of Ministry staff in the discussions for reg. changes.

5. Analysis of financial performance

The Board administers the compensation fund established under the Farm Products Payments Act. Should a dealer licensed under the program default, the board adjudicates the claim(s) and determines the payment (if any) to be made from the fund.

The Board has delegated the day to day administration of the compensation fund to Beef Inc. The money is invested in instruments (first mortgage and GICs) permitted to trustees under the Trustees Act. Beef Inc. provides the Board with quarterly investment statements.

Office of the Auditor General of Ontario
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Auditor's Report

To the Livestock Financial Protection Board
and to the Minister of Agriculture, Food and Rural Affairs

I have audited the balance sheet of the Fund for Livestock Producers as at March 31, 2009 and the statement of fund operations and surplus for the year then ended. These financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2009 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
October 23, 2009

Gary R. Peall, CA
Deputy Auditor General
Licensed Public Accountant

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Fund for Livestock Producers

Balance Sheet
As at March 31, 2009

	2009 $	2008 $
Assets		
Current		
Cash	258,357	162,965
Short-term investment (Note 5)	1,001,288	6,349,716
	1,259,645	6,512,681
Long Term		
Long-term investments (Note 5)	5,568,198	—
	6,827,843	6,512,681
Liabilities		
Accounts Payable	3,255	—
Surplus		
Surplus	6,824,588	6,512,681
	6,827,843	6,512,681

See accompanying notes to financial statements.

On behalf of the Board:

Robert J. Brandle

Chair

Fund for Livestock Producers

Statement of Fund Operations and Surplus
For the Year Ended March 31, 2009

	2009 $	2008 $
Revenue		
Fees from producers	113,423	102,652
Interest income	265,845	296,185
	379,268	398,837
Expenses		
Administrative expenses (Note 6)	60,127	60,127
Board members' fees and expenses	7,234	9,732
	67,361	69,859
Excess of revenue over expenses	311,907	328,978
Surplus, beginning of the year	6,512,681	6,183,703
Surplus, end of the year	6,824,588	6,512,681

See accompanying notes to financial statements.

Fund for Livestock Producers

Notes to Financial Statements
March 31, 2009

1. Establishment of the Fund

The Fund for Livestock Producers was established effective June 12, 1982, by regulation made under the *Farm Products Payments Act*. This regulation designated the Livestock Financial Protection Board as the Board to administer the Fund. In amounts stipulated by this regulation, fees based on livestock sales are paid into the Fund.

The purpose of the Fund is to protect livestock producers against loss through default in payment by a dealer. Producers are reimbursed 90% of an approved claim for any defaults in payment by dealers. Any such claims paid by the Fund are recoverable from the defaulted dealers.

2. Significant Accounting Policies

(A) GENERAL

The Fund's financial statements are prepared on an accrual basis, in accordance with generally accepted accounting principles as prescribed by the Canadian Institute of Chartered Accountants. The preparation of these financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts. Due to the inherent uncertainty involved in making estimates, actual results could differ from those estimates.

(B) FINANCIAL INSTRUMENTS

The Fund's financial instruments consist of cash, short-term investments, long-term investments, and accounts payable. Under Canadian generally accepted accounting principles financial instruments are classified into one of five categories - available-for-sale, held-for-trading, held-to-maturity, loans and receivables, and other financial instruments.

Cash is classified as held-for-trading and is measured at fair value.

All short-term and long-term investments are classified as held-to-maturity, which are measured at amortized cost. Their fair values are disclosed in Note 5.

Accounts payable are classified as other financial liabilities, which are measured at amortized cost.

In December 2006, the Canadian Institute of Chartered Accountants (CICA) issued new accounting standards: Handbook Section 3862 "Financial Instruments – Disclosures"; Handbook Section 3863 "Financial Instruments - Presentation". These standards were expected to be effective for the Fund's financial statements for the year ended March 31, 2009. However in December 2008, the CICA eliminated the requirement for not-for-profit entities to adopt these standards. Pursuant to the requirement, the Fund has chosen to adopt Handbook Section 3861, "Financial Instruments - Disclosure and Presentation" for disclosure and presentation of financial

2. Significant Accounting Policies (Continued)

(B) FINANCIAL INSTRUMENTS

instruments.

(C) REVENUE RECOGNITION

All transactions are recorded on the accrual basis except for fees from producers which are recorded when received due to the inherent uncertainty regarding the amount and timing of revenue earned.

3. Change in Accounting Policy

On April 1, 2008, the Fund for Livestock Producers adopted the CICA Handbook Section 3855 "Financial Instruments – Recognition and Measurement", and Section 3861 "Financial Instruments – Presentation and Disclosure." Pursuant to the requirement, these standards have been adopted retroactively. This change had no impact on the recorded value of the Fund's financial instruments or its recorded surplus.

4. Future Changes in Accounting Policy and Disclosure

The CICA has issued revisions to Handbook Section 4400 which relate to not-for-profit organizations. These changes now require the application of Handbook Section 1540 "Cash Flow Statements", and require the reporting of revenues and expenses on a gross basis in the statement of operations unless specifically not required by other CICA guidance.

A new Handbook Section, Section 4470 "Disclosure of Allocated Expenses by Not-for-Profit Organizations", requires certain disclosures when general support expenses are allocated to other functions.

The above changes in accounting policies are applicable to years beginning on or after January 1, 2009. Management does not expect these changes to have a material impact on the financial statement disclosures.

5. Investments and Management of Capital

The short-term investment is a financial instrument issued by a domestic financial institution that matures on February 12, 2010 and earns 1% per annum. The carrying value of this investment approximates its fair value.

Long-term investments consists of three financial instruments. The first two investments are Guaranteed Investment Certificates issued by a domestic financial institution with maturity dates of February 14, 2011 and February 13, 2012 and earn 3.25% and 3.7% respectively. The carrying value of these investments approximates fair value. The third investment is a $4 million first mortgage on development lands in the city of Kitchener, Ontario bearing interest at 5% payable annually. The mortgage, originally signed December 10, 2004, was increased and renewed on December 10, 2008 for an additional four years with the principal due in full December 10, 2012. In the event of the sale or any other conveyance of all or part of the lands, at the option of the Fund, the principal and accrued interest shall be immediately due and payable. At any time, the mortgagor can pay all or any part of the principal without notice

5. Investments and Management of Capital (Continued)

or penalty. An independent appraisal of the lands concluded that the fair value of the property exceeds the principal amount of the mortgage plus accrued interest. Accordingly, management does not believe that the Fund is exposed to significant credit, interest rate, currency or liquidity risk on its financial instruments.

The Fund's main objective when managing investment capital is to safeguard its ability to remain as a going concern, so that it can continue to deliver financial protection to the livestock producers in Ontario. The Fund's investments are to ensure security, liquidity, and maximization of investment income thus, the Fund has restrictions in place so that only authorized investments are undertaken. In order to ensure liquidity and manage interest rate risk, the Fund's investments mature at various future points in time. As at March 31, 2009 the Fund has met its capital objectives and is not subject to any externally imposed capital requirements.

6. Administrative Expenses

Certain administrative expenses incurred by the Fund were absorbed by the Ministry of Agriculture, Food and Rural Affairs and were not included in the Statement of Fund Operations and Surplus.

The Fund pays the Ministry about $60,000 annually in respect of the Ministry's costs of providing support services to the Board, and for assessing the financial responsibility of livestock dealers. Payments are to be made semi-annually on or before the 15th day of the last month of each six-month period.

7. Statement of Cash Flow

A statement of cash flow was not prepared as the information which it would contain is readily available from these financial statements.

8. Reclassification

Certain of the 2008 figures presented for comparative purposes have been reclassified to conform with the current year's presentation.